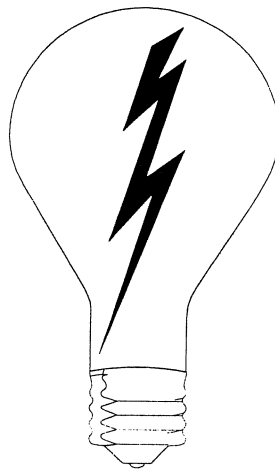


YEAR ENDING 2005

ANNUAL REPORT  
OF  
Avista Corporation

ELECTRIC UTILITY



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PUBLIC SERVICE  
COMMISSION

TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

## IDENTIFICATION

Year: 2005

- |  |  |
|--|--|
| 1. Legal Name of Respondent:                         | Avista Corporation   |
| 2. Name Under Which Respondent Does Business:        | Avista Corp. and Avista Utilities                            |
| 3. Date Utility Service First Offered in Montana     | July, 1960   |
| 4. Address to send Correspondence Concerning Report: | 1411 East Mission Avenue<br>PO Box 3727<br>Spokane, WA 99220 |
| 5. Person Responsible for This Report:               | Ann Wilson<br>Vice President and Controller                  |
| 5a. Telephone Number:                                | 509-495-4321   |

## Control Over Respondent

1. If direct control over the respondent was held by another entity at the end of year provide the following:
- 1a. Name and address of the controlling organization or person:
- 1b. Means by which control was held:
- 1c. Percent Ownership:

## SCHEDULE 2

Board of Directors			
Line No.	Name of Director and Address (City, State)		Remuneration
	(a)		(b)
1	Erik J. Anderson	2420 Carillon Point, Kirkland, WA 98033	\$85,000.00
2	Kristianne Blake	P. O. Box 28338, Spokane, WA 99228	\$108,739.75
3	David A. Clack	325 E. Sprague Ave., Spokane, WA 99202	\$96,100.00
4	Roy Lewis Eiguren	P.O. Box 2720, Boise, ID 83701	\$81,566.67
5	Jack W. Gustavel	P.O. Box J, Coeur d'Alene, ID 83816	\$85,733.00
6	John F. Kelly	4915 E. Doubletree Ranch Rd., Paradise Valley, AZ	\$80,800.00
7	Jessie J. Knight, Jr.	402 W. Broadway, Suite 1000, San Diego, CA 92101	\$90,866.67
8	Michael L. Noel	1107 Pine Country Ct., Prescott, AZ 86303	\$91,766.67
9	Lura J. Powell, Ph.D.	2400 Stevens Dr., Suite B, Richland, WA 99352	\$78,866.67
10	R. John Taylor	P. O. Box 538, Lewiston, ID 83501	\$88,628.99
11	Gary G. Ely (2)	1411 E. Mission Ave., Spokane, WA 99220	(1)
12			
13	(1) Mr. Ely is Chairman of the Board as well as President and Chief Executive Officer of Avista Corporation.		
14			
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20			

## Officers

Year: 2005

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	Chairman of the Board		
2	President & Chief Executive Officer	All	Gary G. Ely
3			
4	Senior Vice President, Chief	Finance	Malyn K. Malquist
5	Financial Officer & Treasurer (1)		
6			
7	Senior Vice President, President of	Utility Operations	Scott L. Morris
8	Avista Utilities		
9			
10	Senior Vice President, General Counsel	Legal	Marian M. Durkin
11	and Chief Compliance Officer (2)		
12			
13	Vice President and Chief Counsel for	Legal	David J. Meyer
14	Regulatory and Governmental Affairs		
15			
16	Vice President & Controller (3)	Finance/Accounting	Christy Burmeister-Smith
17			
18	Vice President of State &	Regulatory	Kelly O. Norwood
19	Federal Regulation		
20			
21	Vice President of Transmission and	Transmission and	Don F. Kopczynski
22	Distribution Operations	Distribution	
23			
24	Vice President, Business Development	Utility Operations	Roger D. Woodworth
25	and Service Optimization		
26			
27	Senior Vice President of Human	Human Resources	Karen S. Feltes
28	Resources & Corporate Secretary (4)		
29			
30	Vice President of Energy Resources	Resource Management	Ronald R. Peterson
31	and Optimization		
32			
33	(1) Named Senior Vice President and Chief Financial Officer in January 2006.		
34			
35	(2) Hired on 8/1/05; named Chief Compliance Officer on 11/11/05.		
36			
37	(3) Named Vice President and Treasurer in January 2006. Ann M. Wilson named Vice President		
38	and Controller in January 2006.		
39			
40	(4) Named Senior Vice President on 11/11/05		
41			
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## CORPORATE STRUCTURE

Year: 2005

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1				
2	Avista Capital, Inc.	Parent company to all of	(\$6,611,524)	100.00%
3		Company's non-regulated		
4		subsidiaries		
5				
6	Avista Capital II	Business trusts formed for the purpose		
7	AVA Capital Trust III	of issuing preferred trust securities.		
8				
9				
10	Avista Advantage, Inc.	Provider of utility bill processing, payment and information		
11		services to multi-site customers in North America.		
12				
13	Avista Energy, Inc.	Wholesale electricity and natural gas trading, marketing and		
14		resource management.		
15				
16	Avista Energy Canada, Ltd.	A wholly owned subsidiary of Avista Energy that provides natural		
17		gas service to 200 individual customers in BC, Canada.		
18				
19	Avista Power, LLC	Owns non-regulated generation assets.		
20				
21	Avista Turbine Power, LLC	Receives assignments of purchase power agreements.		
22				
23	Avista Rathdrum, LLC	Owns 49 percent of Rathdrum Power LLC		
24				
25	Rathdrum Power, LLC	Owns a non-regulated generation asset.		
26				
27	Avista Ventures, Inc.	Invests in emerging businesses. Parent of Avista Development		
28		and Pentzer Corporation		
29				
30	Avista Development, Inc.	Non-operating company which maintains an investment portfolio		
31		of real estate and other investments.		
32				
33	Pentzer Corporation	Parent company to Advanced Manufacturing and Development.		
34				
35	Advanced Manufacturing	Performs custom sheet metal manufacturing of electronic		
36	and Development, Inc.	enclosures. Has a wood products division for arcade games, kiosks		
37		store fixtures and displays.		
38				
39	Avista Receivables Corp.	Acquires and sells accounts receivable		
40		of Avista Corp.		
41				
42	Coyote Springs 2, LLC	Developed and owned an electric generation asset.		
43				
44	Spokane Energy, LLC	Marketing of energy.		
45				
46				
47				
48				
49				
50	TOTAL		(6,611,524)	

CORPORATE ALLOCATIONS

Year: 2005

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	Not applicable					
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34	TOTAL					

## AFFILIATE TRANSACTIONS - PRODUCTS &amp; SERVICES PROVIDED TO UTILITY

Year: 2005

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1						
2	Avista Energy	Natural Gas	Market price	18,671,598	11.15%	None
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32	TOTAL			18,671,598		

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY**      Year: 2005

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1						
2						
3	Avista Energy	Transmission	Market Price	47,292	0.03%	
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32	<b>TOTAL</b>			47,292		

**MONTANA UTILITY INCOME STATEMENT**

Year: 2005

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	2,318,693	10,877,767	369.13%
2				
3	Operating Expenses			
4	401 Operation Expenses	17,751,408	16,684,560	-6.01%
5	402 Maintenance Expense	6,710,745	4,942,121	-26.36%
6	403 Depreciation Expense	10,838,954	11,107,194	2.47%
7	404-405 Amortization of Electric Plant	none/n.a.	none/n.a.	#VALUE!
8	406 Amort. of Plant Acquisition Adjustments	none/n.a.	none/n.a.	#VALUE!
9	407 Amort. of Property Losses, Unrecovered Plant			
10	& Regulatory Study Costs	none/n.a.	none/n.a.	#VALUE!
11	408.1 Taxes Other Than Income Taxes	7,883,840	8,464,508	7.37%
12	409.1 Income Taxes - Federal	none/n.a.	none/n.a.	#VALUE!
13	- Other	410,403	792,927	93.21%
14	410.1 Provision for Deferred Income Taxes	none/n.a.	none/n.a.	#VALUE!
15	411.1 (Less) Provision for Def. Inc. Taxes - Cr.	none/n.a.	none/n.a.	#VALUE!
16	411.4 Investment Tax Credit Adjustments	none/n.a.	none/n.a.	#VALUE!
17	411.6 (Less) Gains from Disposition of Utility Plant	none/n.a.	none/n.a.	#VALUE!
18	411.7 Losses from Disposition of Utility Plant	none/n.a.	none/n.a.	#VALUE!
19				
20	<b>TOTAL Utility Operating Expenses</b>	43,595,350	41,991,310	-3.68%
21	<b>NET UTILITY OPERATING INCOME</b>	(41,276,657)	(31,113,543)	24.62%

**MONTANA REVENUES**

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Electricity			
2	440 Residential	7,091	6,958	-1.88%
3	442 Commercial & Industrial - Small	2,084	1,976	-5.18%
4	Commercial & Industrial - Large			
5	444 Public Street & Highway Lighting			
6	445 Other Sales to Public Authorities			
7	446 Sales to Railroads & Railways			
8	448 Interdepartmental Sales	6,518	6,393	-1.92%
9				
10	<b>TOTAL Sales to Ultimate Consumers</b>	15,693	15,327	-2.33%
11	447 Sales for Resale		9,829,598	#DIV/0!
12				
13	<b>TOTAL Sales of Electricity</b>	15,693	9,844,925	62634.50%
14	449.1 (Less) Provision for Rate Refunds			
15				
16	<b>TOTAL Revenue Net of Provision for Refunds</b>	15,693	9,844,925	62634.50%
17	Other Operating Revenues			
18	450 Forfeited Discounts & Late Payment Revenues			
19	451 Miscellaneous Service Revenues			
20	453 Sales of Water & Water Power			
21	454 Rent From Electric Property	48,342	43,386	-10.25%
22	455 Interdepartmental Rents			
23	456 Other Electric Revenues	2,254,658	989,456	-56.12%
24				
25	<b>TOTAL Other Operating Revenues</b>	2,303,000	1,032,842	-55.15%
26	<b>Total Electric Operating Revenues</b>	2,318,693	10,877,767	369.13%



**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2005

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses			
2				
3	Steam Power Generation			
4	Operation			
5	500 Operation Supervision & Engineering	36,449	103,458	183.84%
6	501 Fuel	11,022,574	12,820,507	16.31%
7	502 Steam Expenses	1,118,354	1,165,771	4.24%
8	503 Steam from Other Sources			
9	504 (Less) Steam Transferred - Cr.			
10	505 Electric Expenses	58,911	61,531	4.45%
11	506 Miscellaneous Steam Power Expenses	1,639,953	1,312,422	-19.97%
12	507 Rents	18,573	13,621	-26.66%
13				
14	TOTAL Operation - Steam	13,894,814	15,477,310	11.39%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	314,697	324,441	3.10%
18	511 Maintenance of Structures	366,524	405,900	10.74%
19	512 Maintenance of Boiler Plant	3,341,814	2,611,525	-21.85%
20	513 Maintenance of Electric Plant	396,056	(17,631)	-104.45%
21	514 Maintenance of Miscellaneous Steam Plant	519,888	354,983	-31.72%
22				
23	TOTAL Maintenance - Steam	4,938,979	3,679,218	-25.51%
24				
25	TOTAL Steam Power Production Expenses	18,833,793	19,156,528	1.71%
26				
27	Nuclear Power Generation			
28	Operation			
29	517 Operation Supervision & Engineering			
30	518 Nuclear Fuel Expense			
31	519 Coolants & Water			
32	520 Steam Expenses			
33	521 Steam from Other Sources			
34	522 (Less) Steam Transferred - Cr.			
35	523 Electric Expenses			
36	524 Miscellaneous Nuclear Power Expenses			
37	525 Rents			
38				
39	TOTAL Operation - Nuclear			
40				
41	Maintenance			
42	528 Maintenance Supervision & Engineering			
43	529 Maintenance of Structures			
44	530 Maintenance of Reactor Plant Equipment			
45	531 Maintenance of Electric Plant			
46	532 Maintenance of Miscellaneous Nuclear Plant			
47				
48	TOTAL Maintenance - Nuclear			
49				
50	TOTAL Nuclear Power Production Expenses			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2005

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses -continued			
2	Hydraulic Power Generation			
3	Operation			
4	535 Operation Supervision & Engineering	104,729	135,509	29.39%
5	536 Water for Power	816,763		-100.00%
6	537 Hydraulic Expenses	748,960	61,525	-91.79%
7	538 Electric Expenses	876,086	799,923	-8.69%
8	539 Miscellaneous Hydraulic Power Gen. Expenses	80,366	78,968	-1.74%
9	540 Rents			
10				
11	TOTAL Operation - Hydraulic	2,626,904	1,075,925	-59.04%
12				
13	Maintenance			
14	541 Maintenance Supervision & Engineering	71,240	123,300	73.08%
15	542 Maintenance of Structures	75,073	73,305	-2.36%
16	543 Maint. of Reservoirs, Dams & Waterways	378,054	59,234	-84.33%
17	544 Maintenance of Electric Plant	670,200	683,087	1.92%
18	545 Maintenance of Miscellaneous Hydro Plant	143,227	174,242	21.65%
19				
20	TOTAL Maintenance - Hydraulic	1,337,794	1,113,168	-16.79%
21				
22	TOTAL Hydraulic Power Production Expenses	3,964,698	2,189,093	-44.79%
23				
24	Other Power Generation			
25	Operation			
26	546 Operation Supervision & Engineering			
27	547 Fuel			
28	548 Generation Expenses			
29	549 Miscellaneous Other Power Gen. Expenses			
30	550 Rents			
31				
32	TOTAL Operation - Other			
33				
34	Maintenance			
35	551 Maintenance Supervision & Engineering	1,221		-100.00%
36	552 Maintenance of Structures			
37	553 Maintenance of Generating & Electric Plant			
38	554 Maintenance of Misc. Other Power Gen. Plant			
39				
40	TOTAL Maintenance - Other	1,221		-100.00%
41				
42	TOTAL Other Power Production Expenses	1,221		-100.00%
43				
44	Other Power Supply Expenses			
45	555 Purchased Power			
46	556 System Control & Load Dispatching			
47	557 Other Expenses			
48				
49	TOTAL Other Power Supply Expenses			
50				
51	TOTAL Power Production Expenses	22,799,712	21,345,621	-6.38%

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2005

Account Number & Title		Last Year	This Year	% Change
1	Transmission Expenses			
2	Operation			
3	560 Operation Supervision & Engineering	8,831	20,794	135.47%
4	561 Load Dispatching	19,888	19,150	-3.71%
5	562 Station Expenses	7,202	2,162	-69.98%
6	563 Overhead Line Expenses	23,947	21,397	-10.65%
7	564 Underground Line Expenses			
8	565 Transmission of Electricity by Others			
9	566 Miscellaneous Transmission Expenses			
10	567 Rents	75,742	67,822	-10.46%
11				
12	TOTAL Operation - Transmission	135,610	131,325	-3.16%
13	Maintenance			
14	568 Maintenance Supervision & Engineering	6,510	23,419	259.74%
15	569 Maintenance of Structures	556	138	-75.18%
16	570 Maintenance of Station Equipment	87,320	42,874	-50.90%
17	571 Maintenance of Overhead Lines	314,299	67,820	-78.42%
18	572 Maintenance of Underground Lines			
19	573 Maintenance of Misc. Transmission Plant			
20				
21	TOTAL Maintenance - Transmission	408,685	134,251	-67.15%
22				
23	TOTAL Transmission Expenses	544,295	265,576	-51.21%
24				
25	Distribution Expenses			
26	Operation			
27	580 Operation Supervision & Engineering			
28	581 Load Dispatching			
29	582 Station Expenses	540		-100.00%
30	583 Overhead Line Expenses			
31	584 Underground Line Expenses			
32	585 Street Lighting & Signal System Expenses			
33	586 Meter Expenses			
34	587 Customer Installations Expenses			
35	588 Miscellaneous Distribution Expenses	100		-100.00%
36	589 Rents			
37				
38	TOTAL Operation - Distribution	640		-100.00%
39	Maintenance			
40	590 Maintenance Supervision & Engineering	580		-100.00%
41	591 Maintenance of Structures			
42	592 Maintenance of Station Equipment	28		-100.00%
43	593 Maintenance of Overhead Lines	7,555		-100.00%
44	594 Maintenance of Underground Lines			
45	595 Maintenance of Line Transformers			
46	596 Maintenance of Street Lighting, Signal Systems	351		-100.00%
47	597 Maintenance of Meters			
48	598 Maintenance of Miscellaneous Dist. Plant			
49				
50	TOTAL Maintenance - Distribution	8,514		-100.00%
51				
52	TOTAL Distribution Expenses	9,154		-100.00%

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 2005

Account Number & Title		Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision			
4	902 Meter Reading Expenses			
5	903 Customer Records & Collection Expenses			
6	904 Uncollectible Accounts Expenses			
7	905 Miscellaneous Customer Accounts Expenses			
8				
9	TOTAL Customer Accounts Expenses			
10	Customer Service & Information Expenses			
11	Operation			
12	907 Supervision			
13	908 Customer Assistance Expenses			
14	909 Informational & Instructional Adv. Expenses	1,599		-100.00%
15	910 Miscellaneous Customer Service & Info. Exp.			
16				
17	TOTAL Customer Service & Info Expenses	1,599		-100.00%
18				
19	Sales Expenses			
20	Operation			
21	911 Supervision			
22	912 Demonstrating & Selling Expenses			
23	913 Advertising Expenses			
24	916 Miscellaneous Sales Expenses			
25				
26	TOTAL Sales Expenses			
27				
28	Administrative & General Expenses			
29	Operation			
30	920 Administrative & General Salaries			
31	921 Office Supplies & Expenses	880		-100.00%
32	922 (Less) Administrative Expenses Transferred - Cr.			
33	923 Outside Services Employed	438		-100.00%
34	924 Property Insurance	244,390		-100.00%
35	925 Injuries & Damages	12,391		-100.00%
36	926 Employee Pensions & Benefits	233		-100.00%
37	927 Franchise Requirements			
38	928 Regulatory Commission Expenses	833,454		-100.00%
39	929 (Less) Duplicate Charges - Cr.			
40	930.1 General Advertising Expenses			
41	930.2 Miscellaneous General Expenses	55		-100.00%
42	931 Rents			
43				
44	TOTAL Operation - Admin. & General	1,091,841		-100.00%
45				
46	Maintenance			
47	935 Maintenance of General Plant	15,552	15,484	-0.44%
48				
49	TOTAL Administrative & General Expenses	1,107,393	15,484	-98.60%
50				
51	TOTAL Operation & Maintenance Expenses	24,462,153	21,626,681	-11.59%

**MONTANA TAXES OTHER THAN INCOME**

Year: 2005

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes			
2	Superfund			
3	Secretary of State			
4	Montana Consumer Counsel	8,400	11,586	37.93%
5	Motor Vehicle Tax	4,869	3,980	-18.26%
6	KWH Tax	1,011,003	1,150,555	13.80%
7	Property Taxes	6,859,528	7,298,363	6.40%
8	Public Commission Tax	40	24	-40.00%
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51	<b>TOTAL MT Taxes Other Than Income</b>	<b>7,883,840</b>	<b>8,464,508</b>	<b>7.37%</b>

## PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES

Year: 2005

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1					
2					
3	Acres International Corpora	Engineering	266,077		
4	Davis Wright tremaine LLP	Legal	379,190		
5	Delinea	Consulting - IT	350,667		
6	Dorsey & Whitney LLP	Legal	667,829		
7	Deloitte & Touche LLP	Independent accountant	1,064,246		
8	Dewey Ballantine LLP	Legal	313,500		
9	Ensr Corp	Consulting	330,045		
10	Entrix Inc	Consulting	1,064,183		
11	Golder Associates Inc	Consulting	397,312		
12	Goldman Sachs & Co	Investment banking	510,000		
13	Heller Ehrman White &...	Legal	257,212		
14	Impac	Consulting	288,318		
15	Paine Hamblen Coffin Brooke	Legal	1,276,788		
16	The Louis Berger Group	Consulting	459,850		
17	Va Tech Hydro USA	Engineering	545,284		
18	Van Ness Feldman	Legal	366,189		
19	Lehman Brothers	Investment banking	520,000		
20	Oracle USA	Consulting - IT	390,028		
21	The Vanguard Group	Consulting - Employee	1,195,873		
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50	TOTAL Payments for Services		10,642,591		

**POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS** Year: 2005

	Description	Total Company	Montana	% Montana
1				
2	Friends of Conrad Burns	\$1,000.00	\$1,000.00	
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19	All contributions in Montana were made by PACs.			
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50	<b>TOTAL Contributions</b>	\$1,000.00	\$1,000.00	

**Pension Costs**

Year: 2005

1	Plan Name The Retirement Plan for Employees of Avista Corporation.			
2	Defined Benefit Plan? Yes		Defined Contribution Plan? No	
3	Actuarial Cost Method? Yes		IRS Code: 001	
4	Annual Contribution by Employer: Varies		Is the Plan Over Funded? No	
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year	268,232	250,199	-6.72%
8	Service cost	9,353	8,813	-5.77%
9	Interest Cost	15,246	15,458	1.39%
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain	4,726	6,960	47.27%
13	Benefits paid	(14,060)	(12,399)	11.81%
14	Expenses paid	(817)	(799)	2.20%
15	Benefit obligation at end of year	282,680	268,232	-5.11%
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year	186,580	167,962	-9.98%
18	Actual return on plan assets	12,461	16,816	34.95%
19	Acquisition			
20	Employer contribution	15,000	15,000	
21	Benefits paid	(14,060)	(12,399)	11.81%
22	Expenses paid	(817)	(799)	2.20%
23	Fair value of plan assets at end of year	199,164	186,580	-6.32%
24	<b>Funded Status</b>			
25	Unrecognized net actuarial loss	(83,516)	(81,652)	2.23%
26	Unrecognized prior service cost	72,678	67,531	-7.08%
27	Unrecognized net transition obligation/(asset)	4,405	5,058	14.82%
28	Prepaid (accrued) benefit cost	(6,433)	(9,562)	-48.64%
29				
30	<b>Weighted-average Assumptions as of Year End</b>			
31	Discount rate	5.75%	5.75%	
32	Expected return on plan assets	8.50%	8.00%	-5.88%
33	Rate of compensation increase	4.84%	4.84%	
34				
35	<b>Components of Net Periodic Benefit Costs</b>			
36	Service cost	9,353	8,813	-5.77%
37	Interest cost	15,246	15,458	1.39%
38	Expected return on plan assets	(15,917)	(13,436)	15.59%
39	Transition (asset)/obligation recognition	(499)	(1,086)	
40	Amortization of prior service cost	653	654	0.15%
41	Recognized net actuarial loss	3,035	3,199	5.40%
42	Net periodic benefit cost	11,871	13,602	14.58%
43				
44	<b>Montana Intrastate Costs:</b>			
45	Pension Costs			
46	Pension Costs Capitalized			
47	Accumulated Pension Asset (Liability) at Year End	not available by state		
48	<b>Number of Company Employees:</b>			
49	Covered by the Plan	2,527	2,527	
50	Not Covered by the Plan			
51	Active	1,368	1,368	
52	Retired	848	848	
53	Deferred Vested Terminated	311	311	



## Other Post Employment Benefits (OPEBS)

	Item	Current Year	Last Year	% Change
1	<b>Regulatory Treatment:</b>			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	<b>Weighted-average Assumptions as of Year End</b>			
7	Discount rate	5.75%	5.75%	
8	Expected return on plan assets	8.50%	8.00%	-5.88%
9	Medical Cost Inflation Rate	6.00%	6.00%	
10	Actuarial Cost Method	Proj Unit Credit		#VALUE!
11	Rate of compensation increase			
12	<b>List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13				
14				
15	<b>Describe any Changes to the Benefit Plan:</b>			
16				
17	<b>TOTAL COMPANY</b>			
18	<b>Change in Benefit Obligation</b>			
19	Benefit obligation at beginning of year	31,868	39,185	22.96%
20	Service cost	566	480	-15.19%
21	Interest Cost	1,652	2,019	22.22%
22	Plan participants' contributions			
23	Amendments		(4,263)	#DIV/0!
24	Actuarial Gain	(1,800)	(2,464)	-36.89%
25	Benefits paid	(3,293)	(3,042)	7.62%
26	Expenses paid	(30)	(47)	-56.67%
27	Benefit obligation at end of year	28,963	31,868	10.03%
28	<b>Change in Plan Assets</b>			
29	Fair value of plan assets at beginning of year	16,862	14,587	-13.49%
30	Actual return on plan assets	1,236	1,882	52.27%
31	Acquisition			
32	Employer contribution	1,183	1,964	66.02%
33	Benefits paid	(873)	(1,524)	-74.57%
34	Expenses paid	(30)	(47)	-56.67%
35	Fair value of plan assets at end of year	18,378	16,862	-8.25%
36	<b>Funded Status</b>			
37	Unrecognized net actuarial loss	(10,585)	(15,006)	-41.77%
38	Unrecognized prior service cost	973	6,009	517.57%
39	Prepaid (accrued) benefit cost	3,536	4,041	14.28%
		(6,076)	(4,956)	18.43%
40	<b>Components of Net Periodic Benefit Costs</b>			
41	Service cost	566	480	-15.19%
42	Interest cost	1,652	2,019	22.22%
43	Expected return on plan assets	(1,368)	(1,106)	19.15%
44	Amortization of prior service cost	505	505	
45	Recognized net actuarial loss		245	#DIV/0!
46	Net periodic benefit cost	1,355	2,143	58.15%
47	<b>Accumulated Post Retirement Benefit Obligation</b>			
48	Amount Funded through VEBA	28,963	31,868	10.03%
49	Amount Funded through 401(h)			
50	Amount Funded through Other _____			
51	TOTAL	28,963	31,868	10.03%
52	Amount that was tax deductible - VEBA			
53	Amount that was tax deductible - 401(h)			
54	Amount that was tax deductible - Other _____			
55	TOTAL	28,963	31,868	10.03%

Year: 2005

**Other Post Employment Benefits (OPEBS) Continued**

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan	2,333	2,075	-11.06%
3	Not Covered by the Plan			
4	Active	1,621	1,372	-15.36%
5	Retired	712	703	-1.26%
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year			
10	Service cost	not available by state		
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	<b>Funded Status</b>			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	<b>Components of Net Periodic Benefit Costs</b>			
31	Service cost	not available by state		
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

**TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)**

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	Emmet McCabe Senior Technician				100,876	99,244	2%
2	Timothy Swant Hydro Licensing & Safety Coordinator				90,268	91,889	-2%
3	Patrick Kelly Chief Operator				78,424	74,950	5%
4	Thomas Puyleart Journeyman Operator				73,649	68,472	8%
5	Lyle Wiltse Journeyman Operator				73,247	67,730	8%
6	Joseph Dos Santos Aquatic Program Leader				73,136	69,533	5%
7	Robert Dougherty Journeyman Operator				71,188	67,335	6%
8	Rory Cook Journeyman Operator				66,849	61,803	8%
9	Paul Aktepy Station Mechanic				66,236	72,915	-9%
10	Nathan Hall Hydro Licensing & Safety Supv				64,952	63,479	2%

## COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	G.G. Ely Chairman, President and CEO	676,442	510,159	1,516,593	2,703,194	906,675	198%
2	M.K. Malquist Senior Vice President CFO and Treasurer	311,531	155,340	373,783	840,654	389,514	116%
3	D. J. Meyer Vice President and Chief Counsel for Reg and Gov Affairs	240,000	98,940	395,350	734,290	345,764	112%
4	S. L. Morris Senior Vice President	297,634	149,646	390,333	837,613	379,500	121%
5	K.S. Feltes Senior Vice President	214,204	108,384	122,658	445,246	244,398	82%
<p>Other includes payouts of performance shares under Avista's Long-Term Incentive Plan for the three-year performance cycle, which ended December 31, 2005. Participants received 120% of the target number of shares covered by the original awards since Avista ranked at the 67th percentil among the S&amp;P 400Utilities Index.</p>							

**BALANCE SHEET**

Year: 2005

	Account Number & Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits</b>			
2	Utility Plant			
3	101 Electric Plant in Service	2,599,493,022	2,819,060,580	-8%
4	101.1 Property Under Capital Leases	5,270,937	5,525,291	-5%
5	102 Electric Plant Purchased or Sold			
6	104 Electric Plant Leased to Others			
7	105 Electric Plant Held for Future Use			
8	106 Completed Constr. Not Classified - Electric			
9	107 Construction Work in Progress - Electric	49,895,114	55,887,059	-11%
10	108 (Less) Accumulated Depreciation	(899,493,717)	(927,641,413)	3%
11	111 (Less) Accumulated Amortization	(11,304,781)	(27,871,653)	59%
12	114 Electric Plant Acquisition Adjustments	26,580,073	22,456,903	18%
13	115 (Less) Accum. Amort. Elec. Acq. Adj.	(17,647,047)	(16,038,272)	-10%
14	120 Nuclear Fuel (Net)			
15	<b>TOTAL Utility Plant</b>	1,752,793,601	1,931,378,495	-9%
16				
17	<b>Other Property &amp; Investments</b>			
18	121 Nonutility Property	3,272,992	4,142,727	-21%
19	122 (Less) Accum. Depr. & Amort. for Nonutil. Prop.	(135,292)	(858,924)	84%
20	123 Investments in Associated Companies	13,903,000	13,903,000	
21	123.1 Investments in Subsidiary Companies	256,786,600	237,737,798	8%
22	124 Other Investments	36,682,363	33,701,281	9%
23	128 Other Special Funds	20,246,110	14,049,946	44%
	Long-Term Derivative Instruments	55,824,772	46,731,530	19%
24	<b>TOTAL Other Property &amp; Investments</b>	386,580,545	349,407,358	11%
25				
26	<b>Current &amp; Accrued Assets</b>			
27	131 Cash	(5,239,043)	(3,602,512)	-45%
28	132-134 Special Deposits	2,172,613	5,408,468	-60%
29	135 Working Funds	495,365	726,275	-32%
30	136 Temporary Cash Investments	6,699,209	513,042	1206%
31	141 Notes Receivable	153,770	39,569	289%
32	142 Customer Accounts Receivable	56,067,151	101,478,486	-45%
33	143 Other Accounts Receivable	2,833,112	9,041,055	-69%
34	144 (Less) Accum. Provision for Uncollectible Accts.	(2,810,071)	(3,227,916)	13%
35	145 Notes Receivable - Associated Companies	42,000,000	39,321,130	7%
36	146 Accounts Receivable - Associated Companies	610,682		#DIV/0!
37	151 Fuel Stock	4,049,604	3,773,050	7%
38	152 Fuel Stock Expenses Undistributed			
39	153 Residuals			
40	154 Plant Materials and Operating Supplies	9,867,767	12,006,429	-18%
41	155 Merchandise			
42	156 Other Material & Supplies			
43	157 Nuclear Materials Held for Sale			
44	163 Stores Expense Undistributed	(62,610)		#DIV/0!
	164 Gas Storage	9,992,691	13,476,706	-26%
45	165 Prepayments	3,899,276	3,745,002	4%
46	171 Interest & Dividends Receivable	19,493		#DIV/0!
47	172 Rents Receivable	391,040	361,071	8%
48	174 Miscellaneous Current & Accrued Assets	82,082	1,449,358	-94%
	176 Derivative Instruments Assets - Hedges	68,382,258	116,224,963	
49	Long-Term Derivative Instruments	(55,824,772)	(46,731,530)	-19%
50	<b>TOTAL Current &amp; Accrued Assets</b>	143,779,617	254,002,646	-43%

## BALANCE SHEET

Year: 2004

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Assets and Other Debits (cont.)</b>			
3				
4	<b>Deferred Debits</b>			
5				
6	181 Unamortized Debt Expense	16,858,709	15,692,385	7%
7	182.1 Extraordinary Property Losses			
8	182.2 Unrecovered Plant & Regulatory Study Costs			
9	182.3 Other Regulatory Assets	231,982,032	225,248,761	
10	183 Prelim. Survey & Investigation Charges	12,084,058	10,988,821	10%
11	184 Clearing Accounts	728,989		#DIV/0!
12	185 Temporary Facilities			
13	186 Miscellaneous Deferred Debits	51,242,169	40,675,589	26%
14	187 Deferred Losses from Disposition of Util. Plant			
15	188 Research, Devel. & Demonstration Expend.			
16	189 Unamortized Loss on Reacquired Debt	36,554,021	32,829,288	11%
17	190 Accumulated Deferred Income Taxes	50,892,673	34,647,400	47%
18	191 Unrecovered Purchased Gas Costs	28,639,755	43,444,010	
18	<b>TOTAL Deferred Debits</b>	428,982,406	403,526,254	6%
19				
20	<b>TOTAL Assets &amp; Other Debits</b>	2,712,136,169	2,938,314,753	-8%
	Account Title	Last Year	This Year	% Change
20				
21	<b>Liabilities and Other Credits</b>			
22				
23	<b>Proprietary Capital</b>			
24				
25	201 Common Stock Issued	629,055,981	631,083,752	0%
26	202 Common Stock Subscribed			
27	204 Preferred Stock Issued	-	-	
28	205 Preferred Stock Subscribed			
29	207 Premium on Capital Stock			
30	211 Miscellaneous Paid-In Capital			
31	213 (Less) Discount on Capital Stock			
32	214 (Less) Capital Stock Expense	(10,676,498)	(10,485,244)	-2%
33	215 Appropriated Retained Earnings	91,642,291	132,024,036	-31%
34	216 Unappropriated Retained Earnings	64,211,690	41,804,777	54%
35	217 (Less) Reacquired Capital Stock			
36	219 Accumulated Other Comprehensive Income	(21,157,918)	(23,299,148)	
36	<b>TOTAL Proprietary Capital</b>	753,075,546	771,128,173	-2%
37				
38	<b>Long Term Debt</b>			
39				
40	221 Bonds	521,300,000	719,082,687	-28%
41	222 (Less) Reacquired Bonds			
42	223 Advances from Associated Companies	114,803,000	115,203,000	0%
43	224 Other Long Term Debt	497,427,068	391,538,636	27%
44	225 Unamortized Premium on Long Term Debt		266,500	-100%
45	226 (Less) Unamort. Discount on L-Term Debt-Dr.	(1,608,182)	(1,879,744)	14%
46	<b>TOTAL Long Term Debt</b>	1,131,921,886	1,224,211,079	-8%

## BALANCE SHEET

Year: 2004

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Total Liabilities and Other Credits (cont.)</b>			
3				
4	<b>Other Noncurrent Liabilities</b>			
5				
6	227 Obligations Under Cap. Leases - Noncurrent	3,028,272	1,983,184	53%
7	228.1 Accumulated Provision for Property Insurance			
8	228.2 Accumulated Provision for Injuries & Damages	1,188,972	790,259	50%
9	228.3 Accumulated Provision for Pensions & Benefits	44,754,150	47,353,587	-5%
10	228.4 Accumulated Misc. Operating Provisions			
11	Long-Term Derivative Instruments	39,971,987	10,044,751	298%
	230 Asset Retirement Obligations	1,190,714	4,528,823	
12	<b>TOTAL Other Noncurrent Liabilities</b>	90,134,095	64,700,604	39%
13				
14	<b>Current &amp; Accrued Liabilities</b>			
15				
16	231 Notes Payable			
17	232 Accounts Payable	66,444,650	139,804,777	-52%
18	233 Notes Payable to Associated Companies			
19	234 Accounts Payable to Associated Companies	7,909,608	769,180	928%
20	235 Customer Deposits	6,286,185	6,264,115	0%
21	236 Taxes Accrued	11,313,430	(2,112,798)	635%
22	237 Interest Accrued	18,632,069	18,643,064	0%
23	238 Dividends Declared			
24	241 Tax Collections Payable	1,736	2,893	-40%
25	242 Miscellaneous Current & Accrued Liabilities	15,927,496	35,225,169	-55%
26	243 Obligations Under Cap. Leases - Current	946,251	1,050,181	-10%
27	245 Derivative Instrument Liabilities - Hedges	48,043,511	13,491,450	256%
28	Long-Term Derivative Instruments	(39,971,987)	(10,044,751)	-298%
29	<b>TOTAL Current &amp; Accrued Liabilities</b>	135,532,949	203,093,280	-33%
30				
31	<b>Deferred Credits</b>			
32				
33	252 Customer Advances for Construction	937,286	820,898	14%
34	253 Other Deferred Credits	33,121,416	36,304,164	-9%
35	254 Other Regulatory Liabilities	34,700,436	116,251,545	-70%
36	255 Accumulated Deferred Investment Tax Credits	570,960	521,652	9%
37	257 Unamortized Gain on Reacquired Debt	4,225,371	3,754,170	13%
38	281-283 Accumulated Deferred Income Taxes	527,916,224	517,529,188	2%
39	<b>TOTAL Deferred Credits</b>	601,471,693	675,181,617	-11%
40				
41	<b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>	2,712,136,169	2,938,314,753	-8%

## MONTANA PLANT IN SERVICE (ASSIGNED &amp; ALLOCATED)

Year: 2005

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Intangible Plant</b>			
3				
4	301 Organization			
5	302 Franchises & Consents	6,222,448	6,222,448	
6	303 Miscellaneous Intangible Plant	185,165	164,808	12%
7				
8	<b>TOTAL Intangible Plant</b>	6,407,613	6,387,256	0%
9				
10	<b>Production Plant</b>			
11				
12	Steam Production			
13				
14	310 Land & Land Rights	1,299,549	1,299,299	0%
15	311 Structures & Improvements	99,998,520	99,988,600	0%
16	312 Boiler Plant Equipment	119,300,747	120,425,088	-1%
17	313 Engines & Engine Driven Generators			
18	314 Turbogenerator Units	32,010,480	32,121,484	0%
19	315 Accessory Electric Equipment	13,774,590	14,425,012	-5%
20	316 Miscellaneous Power Plant Equipment	12,759,362	12,781,406	0%
21	317 Asset Retirement Costs		134,589	
22	<b>TOTAL Steam Production Plant</b>	279,143,248	281,175,478	-1%
23				
24	Nuclear Production			
25				
26	320 Land & Land Rights			
27	321 Structures & Improvements			
28	322 Reactor Plant Equipment			
29	323 Turbogenerator Units			
30	324 Accessory Electric Equipment			
31	325 Miscellaneous Power Plant Equipment			
32				
33	<b>TOTAL Nuclear Production Plant</b>			
34				
35	Hydraulic Production			
36				
37	330 Land & Land Rights	41,236,380	41,455,568	-1%
38	331 Structures & Improvements	11,866,978	11,896,299	0%
39	332 Reservoirs, Dams & Waterways	32,994,267	32,994,267	
40	333 Water Wheels, Turbines & Generators	31,559,072	33,135,439	-5%
41	334 Accessory Electric Equipment	11,559,497	11,767,699	-2%
42	335 Miscellaneous Power Plant Equipment	2,647,733	2,649,480	0%
43	336 Roads, Railroads & Bridges	225,369	225,369	
44				
45	<b>TOTAL Hydraulic Production Plant</b>	132,089,296	134,124,121	-2%



**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2005

	Account Number & Title	Last Year	This Year	% Change
1				
2	Production Plant (cont.)			
3				
4	Other Production			
5				
6	340 Land & Land Rights			
7	341 Structures & Improvements			
8	342 Fuel Holders, Producers & Accessories			
9	343 Prime Movers			
10	344 Generators			
11	345 Accessory Electric Equipment			
12	346 Miscellaneous Power Plant Equipment			
13				
14	<b>TOTAL Other Production Plant</b>			
15				
16	<b>TOTAL Production Plant</b>	411,232,544	415,299,599	-1%
17				
18	<b>Transmission Plant</b>			
19				
20	350 Land & Land Rights	883,385	883,384	0%
21	352 Structures & Improvements	461,581	461,581	
22	353 Station Equipment	16,253,982	16,371,268	-1%
23	354 Towers & Fixtures	16,013,530	16,013,530	
24	355 Poles & Fixtures	7,171,154	7,173,299	0%
25	356 Overhead Conductors & Devices	15,744,525	15,745,311	0%
26	357 Underground Conduit			
27	358 Underground Conductors & Devices			
28	359 Roads & Trails	367,476	367,476	
29				
30	<b>TOTAL Transmission Plant</b>	56,895,633	57,015,849	0%
31				
32	<b>Distribution Plant</b>			
33				
34	360 Land & Land Rights			
35	361 Structures & Improvements	15,881	15,881	
36	362 Station Equipment	152,268	152,268	
37	363 Storage Battery Equipment			
38	364 Poles, Towers & Fixtures	10,080	10,080	
39	365 Overhead Conductors & Devices	6,676	6,676	
40	366 Underground Conduit	46	46	
41	367 Underground Conductors & Devices	637	637	
42	368 Line Transformers	897	897	
43	369 Services	127	127	
44	370 Meters	29	29	
45	371 Installations on Customers' Premises			
46	372 Leased Property on Customers' Premises			
47	373 Street Lighting & Signal Systems			
48				
49	<b>TOTAL Distribution Plant</b>	186,641	186,641	

**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 2005

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>General Plant</b>			
3				
4	389 Land & Land Rights			
5	390 Structures & Improvements			
6	391 Office Furniture & Equipment			
7	392 Transportation Equipment		23,520	-100%
8	393 Stores Equipment			
9	394 Tools, Shop & Garage Equipment			
10	395 Laboratory Equipment			
11	396 Power Operated Equipment			
12	397 Communication Equipment	15,910	23,881	-33%
13	398 Miscellaneous Equipment			
14	399 Other Tangible Property			
15				
16	<b>TOTAL General Plant</b>	15,910	47,401	
17				
18	<b>TOTAL Electric Plant in Service</b>	474,738,341	478,936,746	

**MONTANA DEPRECIATION SUMMARY**

Year: 2005

	Functional Plant Classification	Plant Cost	Accumulated Depreciation		Current
			Last Year Bal.	This Year Bal.	Avg. Rate
1					
2	Steam Production	281,175,478	157,327,361	165,175,782	N/A
3	Nuclear Production				
4	Hydraulic Production	134,124,121	15,920,341	16,339,774	N/A
5	Other Production				
6	Transmission	57,015,849	20,418,565	19,796,338	N/A
7	Distribution	186,641	57,621	58,059	N/A
8	General		1,246,745	1,396,223	N/A
9	<b>TOTAL</b>	<b>472,502,089</b>	<b>194,970,633</b>	<b>202,766,176</b>	

**MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)**

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	523,624	597,429	-12%
3	152 Fuel Stock Expenses Undistributed			
4	153 Residuals			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)	1,447,783	1,596,787	-9%
9	Transmission Plant (Estimated)			
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	157 Nuclear Materials Held for Sale			
15	163 Stores Expense Undistributed			
16				
17	<b>TOTAL Materials &amp; Supplies</b>	<b>1,971,407</b>	<b>2,194,216</b>	<b>-10%</b>

**MONTANA REGULATORY CAPITAL STRUCTURE & COSTS**

SCHEDULE 22

	Commission Accepted - Most Recent	% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number			
2	Order Number			
3				
4	Common Equity	Reference is made to Schedule 27		
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	<b>TOTAL</b>			
9				
10	Actual at Year End			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt			
15	Other			
16	<b>TOTAL</b>			

## STATEMENT OF CASH FLOWS

Year: 2005

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	<b>Cash Flows from Operating Activities:</b>			
5	Net Income	35,153,860	45,168,302	-22%
6	Depreciation	72,871,141	79,158,362	-8%
7	Amortization	21,838,298	19,841,137	10%
8	Deferred Income Taxes - Net	12,917,518	17,594,223	-27%
9	Investment Tax Credit Adjustments - Net	(49,308)	(49,308)	
10	Change in Operating Receivables - Net	(10,751,148)	(54,565,111)	80%
11	Change in Materials, Supplies & Inventories - Net	(3,609,238)	(5,674,661)	36%
12	Change in Operating Payables & Accrued Liabilities - Net	(2,204,745)	75,447,322	-103%
13	Allowance for Funds Used During Construction (AFUDC)	(3,452,804)	(3,078,080)	-12%
14	Change in Other Assets & Liabilities - Net	(6,835,142)	(14,179,789)	52%
15	Other Operating Activities (explained on attached page)	8,232,999	(4,695,305)	275%
16	<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>124,111,431</b>	<b>154,967,092</b>	<b>-20%</b>
17				
18	<b>Cash Inflows/Outflows From Investment Activities:</b>			
19	Construction/Acquisition of Property, Plant and Equipment	(121,391,951)	(259,675,718)	53%
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets			
22	Proceeds from Disposal of Noncurrent Assets	1,477,634	17,014,769	-91%
23	Investments In and Advances to Affiliates	(2,615,571)		#DIV/0!
24	Contributions and Advances from Affiliates	2,499,315	18,785,415	-87%
25	Disposition of Investments in and Advances to Affiliates			
26	Other Investing Activities (explained on attached page)	2,052,223	1,554,805	32%
27	<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>(117,978,350)</b>	<b>(222,320,729)</b>	<b>47%</b>
28				
29	<b>Cash Flows from Financing Activities:</b>			
30	Proceeds from Issuance of:			
31	Long-Term Debt	89,760,600	149,632,500	-40%
32	Preferred Stock			
33	Common Stock	4,061,241	1,570,795	159%
34	Long-Term Debt to Affiliated Trusts	61,856,000		#DIV/0!
35	Net Increase in Short-Term Debt			
36	Other:			
37	Payment for Retirement of:			
38	Long-Term Debt	(66,186,722)	(56,440,903)	-17%
39	Preferred Stock	(1,750,000)	(1,750,000)	
40	Common Stock			
41	Long-Term Debt to Affiliated Trusts	(61,856,000)		#DIV/0!
42	Net Decrease in Short-Term Debt	(12,000,000)	(5,000,000)	-140%
43	Dividends on Preferred Stock			
44	Dividends on Common Stock	(24,912,464)	(26,443,249)	6%
45	Other Financing Activities (explained on attached page)	(12,734,216)	1,465,768	-969%
46	<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(23,761,561)</b>	<b>63,034,911</b>	<b>-138%</b>
47				
48	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(17,628,480)</b>	<b>(4,318,726)</b>	<b>-308%</b>
49	<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>19,584,011</b>	<b>1,955,531</b>	<b>901%</b>
50	<b>Cash and Cash Equivalents at End of Year</b>	<b>1,955,531</b>	<b>(2,363,195)</b>	<b>183%</b>

## STATEMENT OF CASH FLOWS

Year: 2005

	Description	Last Year	This Year	% Change
1	<b>Detail of Lines 15, 26 and 45</b>			
2	<b>Line 15: Other Operating Activities</b>			
3	Gain on disposition of property	(424,383)	(4,398,103)	
4	ESOP Dividends	143,775	37,791	
5	Change in allowance for uncollectible receivables	528,534	504,630	5%
6	Regulatory Gas Cost and Power Cost Adjustment	(3,049,863)	(7,451,146)	59%
7	Write-down of assets from IPUC order	14,416,364		
8	Subsidiary earnings	(3,381,428)	6,611,523	-151%
9	Total Line 15	8,232,999	(4,695,305)	275%
10				
11	<b>Line 26: Other Investing Activities</b>			
	Changes in other property and investments	1,435,673	1,540,127	
12	Notes receivable	616,550	14,678	
13	Total Line 26	2,052,223	1,554,805	
10	<b>Line 45: Other Financing Activities</b>			
	Cash received in interest rate swap agreement	125,000	4,445,000	
11	Premiums paid for repurchase of debt	(6,710,409)	(826,430)	
12	Debt Issuance costs	(6,148,807)	(2,152,802)	
13	Total Line 45	(12,734,216)	1,465,768	

## LONG TERM DEBT

Year: 2005

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost %
1									
2	<u>Medium-Term Notes</u>								
3	Series A	various	various	250,000,000	248,374,625	72,000,000	8.19%	5,893,564	8.19%
4	Series B	various	various	161,000,000	160,141,500	31,000,000	7.89%	2,446,698	7.89%
5	Series A	various	various	200,000,000	198,800,000	3,000,000	8.02%	247,203	8.24%
6	Series B	various	various	150,000,000	149,175,000	17,000,000	8.31%	1,411,808	8.30%
7	Series C	various	various	109,000,000	108,272,250	88,850,000	6.55%	5,815,727	6.55%
8									
9									
10	<u>Pollution Control Bonds</u>								
11	Colstrip 1999A	9/1/99	10/1/32	66,700,000	59,343,493	66,700,000	5.75%	3,834,268	5.75%
12	Colstrip 1999B	9/1/99	3/1/34	17,000,000	14,875,407	17,000,000	5.99%	1,017,541	5.99%
13	6% Pollution Control Bonds	7/1/93	12/1/23	4,100,000	2,838,725	4,100,000	6.51%	266,795	6.51%
14									
15	<u>First Mortgage Bonds</u>								
16	7.75% Issued December 2001	12/19/01	1/1/07	150,000,000	148,125,000	150,000,000	8.25%	13,463,482	8.98%
17	6.125% Issued September 2003	9/1/03	9/1/13	45,000,000	44,795,250	45,000,000	6.41%	2,965,488	6.59%
18	5.45% Issued November 2004	11/18/04	12/1/19	90,000,000	88,975,000	90,000,000	5.56%	5,006,273	5.56%
19	6.25% Issued Nov/Dec 2005	11/17/05	12/1/35	150,000,000	147,937,500	150,000,000	6.35%	9,529,263	6.35%
20									
21	Senior Notes	4/3/01	6/1/08	400,000,000	392,000,000	279,735,000	10.34%	28,924,591	10.34%
22									
###	Junior Subordinated Debentures	4/5/04	4/1/34	61,856,000	53,109,004	61,856,000	7.46%	4,478,559	7.24%
24	Junior Subordinated Debentures	6/3/97	6/1/37	51,547,000	36,828,822	51,547,000	5.92%	2,369,705	4.60%
25									
26	5-year committed line of credit	12/19/04	12/19/05	350,000,000	63,000,000	63,000,000	5.24%	4,364,325	6.93%
27									
28									
29									
30									
31									
32	<b>TOTAL</b>			2,256,203,000	1,916,591,576	1,190,788,000		92,035,290	7.73%

## PREFERRED STOCK

Year: 2005

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1										
2	Subject to									
3	<u>mandatory redemption:</u>									
4	Series K	09/15/92	315,000	\$100	-	\$26,328,489	\$6.95	\$28,000,000	\$1,946,000	7.39%
5										
6	Included as Long-Term Debt on the Balance Sheet									
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	TOTAL					26,328,489		28,000,000	1,946,000	

## COMMON STOCK

Year: 2005

		Avg. Number of Shares Outstanding	Book Value Per Share	Earnings Per Share	Dividends Per Share	Retention Ratio	Market Price	Price/ Earnings Ratio
							High	Low
1								
2								
3								
4	January							
5								
6	February							
7								
8	March	48,477,542	15.59	0.21	0.135		18.37	16.62
9								
10	April							
11								
12	May							
13								
14	June	48,507,948	15.77	0.38	0.135		18.66	16.31
15								
16	July							
17								
18	August							
19								
20	September	48,538,283	15.53	(0.19)	0.135		20.20	17.90
21								
22	October							
23								
24	November							
25								
26	December	48,568,173	15.87	0.52	0.140		19.55	16.76
27								
28								
29								
30								
31								
32	TOTAL Year End	48,523,277	15.87	0.92	0.545	40.76%	17.71	19.3



## MONTANA EARNED RATE OF RETURN

Year: 2005

	Description	Last Year	This Year	% Change
1	Rate Base			
2	101 Plant in Service			
3	108 (Less) Accumulated Depreciation			
4	<b>NET Plant in Service</b>			
5				
6	Additions			
7	154, 156 Materials & Supplies			
8	165 Prepayments			
9	Other Additions			
10	<b>TOTAL Additions</b>			
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	<b>TOTAL Deductions</b>			
18	<b>TOTAL Rate Base</b>			
19				
20	<b>Net Earnings</b>			
21				
22	<b>Rate of Return on Average Rate Base</b>			
23				
24	<b>Rate of Return on Average Equity</b>			
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
30	<b>Rates charged were based on the</b>			
31	<b>Company's last rate order from the Idaho</b>			
32	<b>Public Utilities Commission and accepted by</b>			
33	<b>the Montana Commission. The Company</b>			
34	<b>does not calculate separate rates of return</b>			
35	<b>for the Montana jurisdiction.</b>			
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	<b>Adjusted Rate of Return on Average Rate Base</b>			
48				
49	<b>Adjusted Rate of Return on Average Equity</b>			

## MONTANA COMPOSITE STATISTICS

Year: 2005

	Description	Amount
1		
2	Plant (Intrastate Only) (000 Omitted)	
3		
4	101 Plant in Service	478,937
5	107 Construction Work in Progress	
6	114 Plant Acquisition Adjustments	
7	105 Plant Held for Future Use	
8	154, 156 Materials & Supplies	2,194
9	(Less):	
10	108, 111 Depreciation & Amortization Reserves	(202,766)
11	252 Contributions in Aid of Construction	
12		
13	<b>NET BOOK COSTS</b>	278,365
14		
15	Revenues & Expenses (000 Omitted)	
16		
17	400 Operating Revenues	10,878
18		
19	403 - 407 Depreciation & Amortization Expenses	11,107
20	Federal & State Income Taxes	793
21	Other Taxes	8,465
22	Other Operating Expenses	21,627
23	TOTAL Operating Expenses	41,991
24		
25	Net Operating Income	(31,114)
26		
27	415-421.1 Other Income	
28	421.2-426.5 Other Deductions	
29		
30	<b>NET INCOME</b>	(31,114)
31		
32	Customers (Intrastate Only)	
33		
34	Year End Average:	
35	Residential	11
36	Commercial	1
37	Industrial	
38	Other	7
39		
40	<b>TOTAL NUMBER OF CUSTOMERS</b>	19
41		
42	Other Statistics (Intrastate Only)	
43		
44	Average Annual Residential Use (Kwh)	13,909
45	Average Annual Residential Cost per (Kwh) (Cents) *	4.55
46	* Avg annual cost = [(cost per Kwh x annual use) + ( mo. svc chrg x 12)]/annual use	
47	Average Residential Monthly Bill	52.71
48	Gross Plant per Customer	43,540

MONTANA CUSTOMER INFORMATION

Year: 2005

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
	Noxon, Montana		11	1	7	19
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
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12						
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26						
27						
28						
29						
30						
31						
32	TOTAL Montana Customers		11	1	7	19

## MONTANA EMPLOYEE COUNTS

Year: 2005

	Department	Year Beginning	Year End	Average
1				
2	Noxon Generating Station	30	30	30
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
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36				
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39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50	TOTAL Montana Employees	30	30	30

## MONTANA CONSTRUCTION BUDGET (ASSIGNED &amp; ALLOCATED)

Year: 2005

	Project Description	Total Company	Total Montana
1			
2	Noxon Rapids Capital Projects Upgrades	3,711,072	3,711,072
3			
4	Clark Fork Improvement	4,220,927	4,220,927
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
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37			
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39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50	TOTAL	7,931,999	7,931,999

**TOTAL SYSTEM & MONTANA PEAK AND ENERGY**

Year: 2005

<b>System</b>					
	Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
1	Jan.	14	800	1563	1,043,058
2	Feb.	15	800	1409	1,043,133
3	Mar.	23	900	1269	1,128,057
4	Apr.	15	800	1246	1,130,077
5	May	27	1000	1123	1,294,169
6	Jun.	21	1600	1367	1,256,105
7	Jul.	28	1700	1495	1,149,520
8	Aug.	8	1700	1473	1,066,024
9	Sep.	8	1700	1207	933,731
10	Oct.	28	900	1239	978,096
11	Nov.	30	1800	1466	1,090,954
12	Dec.	8	1900	1660	1,204,890
13	<b>TOTAL</b>			13,317,814	4,144,503

<b>Montana</b>					
	Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
14	Jan.				
15	Feb.				
16	Mar.				
17	Apr.				
18	May				
19	Jun.				
20	Jul.				
21	Aug.				
22	Sep.				
23	Oct.				
24	Nov.				
25	Dec.				
26	<b>TOTAL</b>				

**TOTAL SYSTEM Sources & Disposition of Energy**

SCHEDULE 33

	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	2,108,879	Sales to Ultimate Consumers (Include Interdepartmental)	8,542,674
3	Nuclear			
4	Hydro - Conventional	3,610,823		
5	Hydro - Pumped Storage		Requirements Sales for Resale	4,144,503
6	Other	1,557,418		
7	(Less) Energy for Pumping			
8	<b>NET Generation</b>	7,277,120	Non-Requirements Sales for Resale	
9	Purchases	6,019,972		
10	Power Exchanges			
11	Received	747,198	Energy Furnished Without Charge	
12	Delivered	(726,476)		
13	<b>NET Exchanges</b>	20,722		
14	Transmission Wheeling for Others		Energy Used Within Electric Utility	10,498
15	Received	3,603,657		
16	Delivered	(3,603,657)		
17	<b>NET Transmission Wheeling</b>		Total Energy Losses	620,139
18	Transmission by Others Losses			
19	<b>TOTAL</b>	13,317,814	<b>TOTAL</b>	13,317,814

## SOURCES OF ELECTRIC SUPPLY

Year: 2005

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1					
2	Washington:				
3					
4	Thermal	Kettle Falls	Kettle Falls, WA	54	338,170
5	Hydro	Little Falls	Ford, WA	37	191,937
6	Hydro	Long Lake	Ford, WA	87	459,893
7	Hydro	Monroe Street	Spokane, WA	16	101,520
8	Hydro	Nine Mile	Spokane, WA	22	107,103
9	Hydro	Upper Falls	Spokane, WA	11	71,315
10	Combustion -				
11	Turbine	Northeast	Spokane, WA	52	181
12	Combustion -				
13	Turbine	Kettle Falls Bi-fuel	Kettle Falls, WA	9	6,950
14	Combustion -				
15	Turbine	Boulder Park	Spokane, WA	25	15,849
16					
17					
18	Idaho:				
19	Hydro	Cabinet Gorge	Clark Fork, ID	265	1,003,826
20	Hydro	Post Falls	Post Falls, ID	18	86,653
21	Combustion -				
22	Turbine	Rathdrum	Rathdrum, ID	173	6,581
23					
24					
25					
26	Montana:				
27	Thermal	Colstrip #3 and #4	Colstrip, MT	221	1,770,709
28	Hydro	Noxon	Thompson Falls, MT	542	1,588,576
29					
30	Oregon:				
31	Combustion -				
32	Turbine	Coyote Springs 2	Boardman, OR	304	1,527,857
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	Total			1,836	7,277,120

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

Year: 2005

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (MW & MWH)	Achieved Savings (MW & MWH)	Difference (MW & MWH)
1	Not applicable						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
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17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32	TOTAL						



**Electric Universal System Benefits Programs**

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2						
3	Avista Corp. does not have any benefit programs in Montana.					
4						
5						
6						
7						
8	Market Transformation					
9						
10						
11						
12						
13						
14						
15	Renewable Resources					
16						
17						
18						
19						
20						
21						
22	Research & Development					
23						
24						
25						
26						
27						
28						
29	Low Income					
30						
31						
32						
33						
34						
35	Large Customer Self Directed					
36						
37						
38						
39						
40						
41						
42	Total					
43	Number of customers that received low income rate discounts					
44	Average monthly bill discount amount (\$/mo)					
45	Average LIEAP-eligible household income					
46	Number of customers that received weatherization assistance					
47	Expected average annual bill savings from weatherization					
48	Number of residential audits performed					

**Montana Conservation & Demand Side Management Programs**

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2	Avista Corp. does not have any conservation & demand side management programs in Montana.					
3						
4						
5						
6						
7						
8	Demand Response					
9						
10						
11						
12						
13						
14						
15	Market Transformation					
16						
17						
18						
19						
20						
21						
22	Research & Development					
23						
24						
25						
26						
27						
28						
29	Low Income					
30						
31						
32						
33						
34						
35	Other					
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46	Total					

## MONTANA CONSUMPTION AND REVENUES

Year: 2005

	Sales of Electricity	Operating Revenues		MegaWatt Hours Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Residential	\$6,958	\$7,091	153	156	11	12
2	Commercial - Small	1,976	2,084	30	32	1	1
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruptible Industrial						
7	Public Street & Highway Lighting						
8	Other Sales to Public Authorities						
9	Sales to Cooperatives						
10	Sales to Other Utilities						
11	Interdepartmental	6,393	6,518	96	99	7	6
12							
13	<b>TOTAL</b>	<b>\$15,327</b>	<b>\$15,693</b>	<b>279</b>	<b>287</b>	<b>19</b>	<b>19</b>